

**ONTARIO
SUPERIOR COURT OF JUSTICE- COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
NORTEL NETWORKS CORPORATION, NORTEL NETWORKS LIMITED, NORTEL
NETWORKS GLOBAL CORPORATION, NORTEL NETWORKS INTERNATIONAL
CORPORATION AND NORTEL NETWORKS TECHNOLOGY CORPORATION**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36 AS AMENDED**

**SUBMISSION OF THE AD HOC COMMITTEE OF CANADIAN-ONLY CREDITORS
(CCC) ON OUTSTANDING LITIGATION ISSUES**

February 8, 2013

**CAW-CANADA LEGAL
DEPARTMENT**
205 Placer Court
Toronto, ON M2H 3H9

Barry Wadsworth
Telephone: (416) 495-3776
Facsimile: (416) 495-3786
Email: Barry.Wadsworth@CAW.ca

Counsel for the Canadian Autoworkers
Union

KOSKIE MINSKY LLP
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Mark Zigler/Susan Philpott
Telephone: (416) 595-2090
Facsimile: (416) 204-2877
Email: mzigler@kmlaw.ca
Email: sphilpott@kmlaw.ca

Counsel for the Canadian Former Employees
and Disabled employees through their court
appointed Representatives

McCARTHY TETRAULT LLP

TD Bank Tower, Suite 5300
Toronto Dominion Street West
Toronto, ON M5K 1E6

James Gage/Barbara Boake
Telephone: (416) 362-1812
Facsimile: (416) 868-0673
Email: jgage@mccarthy.ca
Email: bboake@mccarthy.ca

Counsel for Morneau Shepell Ltd., as
administrator of the Nortel Canadian
registered pension plans

SHIBLEY RIGHTON LLP

250 University Avenue
Suite 700
Toronto, ON M5H 3E5

Arthur O. Jacques
Telephone: (416) 214-5213
Facsimile: (416) 214-5413
Email:
Arthur.jacques@shibleyrighton.com

Counsel for active and transferred
employees of Nortel Canada

**PALIARE ROLAND ROSENBERG
ROTHSTEIN LLP**

250 University Avenue, Suite 501
Toronto, ON M5H 3E5

Ken Rosenberg/Lily Harmer/Max Starnino
Telephone: (416) 646-4300
Facsimile: (416) 646-4301
Email: ken.rosenberg@paliareroland.com
Email: lily.harmer@paliareroland.com
Email: max.starnino@paliareroland.com

Counsel for the Superintendent of Financial
Services as Administrator of the Pension
Benefits Guarantee Fund

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I. INTRODUCTION

1. Pursuant to the Court's Endorsement of January 31, 2013, all parties have been requested to submit a list of what they consider to be the current, outstanding issues in the CCAA proceedings to be brought before the Court. The Court has indicated that the list will be reviewed and further scheduling directions will be provided. The list is to be submitted by Friday, February 8, 2013.
2. This document is submitted on behalf of the following parties known as the Ad Hoc Committee of Canadian-Only Creditors ("CCC"):
 - (a) Former employees and long term disability employees of Nortel represented by Koskie Minsky LLP;
 - (b) The Canadian Auto Workers Union;
 - (c) Morneau Shepell Ltd. as administrator of the Nortel Canadian Registered Pension Plans;
 - (d) The Superintendent of Financial Services of Ontario as administrator of the Ontario Pension Benefits Guarantee Fund; and
 - (e) Active and transferred employees of Nortel, represented by Shibley Righton LLP and Nelligan O'Brien Payne LLP.
3. The following first addresses cross-border issues: appropriate forum, substantive matters, and procedural matters; then issues unique to the Canadian estate.

II. CROSS-BORDER ISSUES - APPROPRIATE FORUM

4. The outstanding cross-border issues of asset allocation and resolution of intercompany claims are inter-related and inseparable. They should be dealt with in one forum. A Motion was heard before the Canadian and United States Courts in the June 7, 2011 joint hearing which is currently under reserve. At that time an "Allocation Protocol" for many of these issues was put forward. We believe that all of these issues should be resolved by the decision-maker or decision-makers to be determined as a result of the joint hearing of June 7, 2011. The position of the CCC at that time was to support the draft Allocation Protocol put forward by both the Canadian and United States estates. The decision-maker(s) determined under such Motion should deal with all of the substantive cross-border issues set out in Section III below simultaneously and such decisions should be binding on all parties. We await further direction from both Courts with respect to the June 7, 2011 motions.

III. CROSS-BORDER ISSUES - SUBSTANTIVE MATTERS

5. We list these as follows:
 - (a) Appropriate allocation of business and intellectual property ("IP") sale proceeds.
 - (b) Validity of EMEA estate claims in Canada and in the U.S.
 - (c) Validity of the U.K. pension FSD claim in Canada, the U.S. and Europe.
 - (d) Cross-claim of the Canadian estate against EMEA as a result of the settlement of the \$2 billion tax claim of the U.S. estate into Canada.
 - (e) Recovery by the Canadian estate of equity interest in the foreign subsidiaries in France, Ireland and China which are not insolvent and resolution of any offsetting claims against these subsidiaries.
 - (f) Validity of note holders' claims, including claims for post filing interest in Canada and in the U.S.
 - (g) Marshalling of note-holder claims as between the Canadian and U.S. Estates.

VI. CROSS-BORDER ISSUES - PROCEDURAL MATTERS

6. Depending on the selection of the forum for dealing with cross-border issues there are a number of procedural issues including:
 - (a) Pleadings.
 - (b) Scope of production and discovery.
 - (c) Scheduling.
 - (d) Forum for appeals, if any.

We submit that it is premature to deal with these questions until the forum is selected and all cross-border issues identified. However, expedited proceedings that are final and binding are crucial given the time elapsed since the initial filings in January 2009.

V. CANADIAN ESTATE ISSUES

7. We have identified the following issues:

- (a) Appropriate foreign exchange rate to be used on U.S. dollar claims in Canada.
- (b) Validity of the U.K. pension guarantee in Canada.
- (c) Court approval of the Canadian pension plan claims.
- (d) Ownership of IP address sale proceeds.
- (e) Payment of any “bonus” to note-holder advisors.

VI. CONCLUSION

8. We believe that the above list identifies all the major issues which must be resolved before distribution to creditors can be determined. Given the nature of the Court’s endorsement on January 31, 2013 we believe it would be premature to deal with matters such as scheduling discovery and other procedural aspects until such time as the Court has given direction on both the process and substantive issues dealt with above.

All of which is respectfully submitted by the

AD HOC CANADIAN CREDITORS COMMITTEE

February 8, 2013

**CAW-CANADA LEGAL
DEPARTMENT**
205 Placer Court
Toronto, ON M2H 3H9

Barry Wadsworth
Telephone: (416) 495-3776
Facsimile: (416) 495-3786
Email: Barry.Wadsworth@CAW.ca

Counsel for the Canadian Autoworkers
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KOSKIE MINSKY LLP
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Mark Zigler/Susan Philpott
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Facsimile: (416) 204-2877
Email: mzigler@kmlaw.ca
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McCARTHY TETRAULT LLP
TD Bank Tower, Suite 5300
Toronto Dominion Street West
Toronto, ON M5K 1E6

James Gage/Barbara Boake
Telephone: (416) 362-1812
Facsimile: (416) 868-0673
Email: jgage@mccarthy.ca
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SHIBLEY RIGHTON LLP
250 University Avenue
Suite 700
Toronto, ON M5H 3E5

Arthur O. Jacques
Telephone: (416) 214-5213
Facsimile: (416) 214-5413
Email:
Arthur.jacques@shibleyrighton.com

Counsel for active and transferred
employees of Nortel Canada

**PALIARE ROLAND ROSENBERG
ROTHSTEIN LLP**
250 University Avenue, Suite 501
Toronto, ON M5H 3E5

Ken Rosenberg/Lily Harmer/Max Starnino
Telephone: (416) 646-4300
Facsimile: (416) 646-4301
Email: ken.rosenberg@paliareroland.com
Email: lily.harmer@paliareroland.com
Email: max.starnino@paliareroland.com

Counsel for the Superintendent of Financial
Services as Administrator of the Pension
Benefits Guarantee Fund

TO: SERVICE LIST

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Court File No: 09-CL-7950

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Proceeding commenced at **TORONTO**

**SUBMISSION OF THE AD HOC COMMITTEE
OF CANADIAN-ONLY CREDITORS (CCC) ON
OUTSTANDING LITIGATION ISSUES**

KOSKIE MINSKY LLP

20 Queen Street West, Suite 900, Box 52
Toronto, Ontario M5H 3R3

Mark Zigler LSUC#: 19757B

Email: mzigler@kmlaw.ca

Tel: 416-595-2090

Susan Philpott LSUC#: 31371C

Email: sphilpott@kmlaw.ca

Tel: 416-595-2104

Barbara Walancik LSUC#: 62062U

Email: amckinnon@kmlaw.ca

Tel: 416-542-6288

Fax: 416-204-2906

Solicitors for Former and Disabled Employees of
Nortel